

TOWN OF GADSDEN, TENNESSEE

FINANCIAL STATEMENTS

June 30, 2023

**TOWN OF GADSDEN, TENNESSEE
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Mayor and Aldermen

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TOWN OF GADSDEN, TENNESSEE

June 30, 2023

HONORABLE MAYOR

Randy Smith

BOARD OF ALDERMEN

Connie Robinson

Gary Mathis

Chris Burse

Kevin Reyes

CERTIFIED MUNICIPAL FINANCE OFFICER

Alicia Pigue

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

ATA CPAs + Advisors PLLC

Dyersburg, Tennessee

FINANCIAL SECTION



Independent Auditor's Report

Honorable Mayor and Board of Aldermen
Town of Gadsden
Gadsden, Tennessee

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of the Town of Gadsden, Tennessee (the Town), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Town of Gadsden, as of June 30, 2023, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund and the State Street Aid Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant and ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually

or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The supplementary information section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2024 on our consideration of the Town of Gadsden, Tennessee's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Gadsden, Tennessee's internal control over financial reporting and compliance.

ATA CPAs + Advisors PLLC

Dyersburg, Tennessee
February 22, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Gadsden, Tennessee we offer readers of the Town of Gadsden's financial statements this narrative overview and analysis of the financial activities of the Town of Gadsden for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented in conjunction with additional information that we have furnished in the basic financial statements and the accompanying notes to those financial statements. All amounts, unless otherwise indicated, are expressed in actual dollars. Comparative analyses of key elements of total governmental funds have been provided.

FINANCIAL HIGHLIGHTS

Management believes the Town of Gadsden's financial condition is good. The following are key financial highlights.

- The assets of the Town of Gadsden exceeded liabilities at the close of the most recent fiscal year by \$925,268. Of this amount, \$487,913 (unrestricted net position) may be used to meet the government's ongoing obligation to citizens and creditors.
- At June 30, 2023, the Town's governmental funds reported combined ending unassigned, nonspendable, and restricted fund balances of \$749,772 a decrease of \$22,583 in comparison with the prior year.
- The Town's net capital assets increased by \$20,485 during the year ended June 30, 2023.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the financial statements and supplementary information. The MD&A represents management's examination and analysis of the Town's financial condition and activities. Summary financial statement data, key financial and operational indicators, budget and other management tools were used for this analysis. The Town's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary, supplementary, and other information and internal control and compliance in addition to the basic financial statements themselves.

Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to a private-sector business.

The *Statement of Net Position* presents the financial position of the Town on a full accrual, historical cost basis. The statement of net position provides information on all the Town's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial positions of the Town are improving or deteriorating.

The *Statement of Activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave.)

The government-wide financial statements provide information on the functions of the Town that is principally supported by taxes and intergovernmental revenues. The governmental activities of the

Town include general government, public safety, highways and streets, drug enforcement and parks and recreation. The government-wide financial statements can be found on pages 10-11 of this report.

Fund financial statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be classified as governmental funds.

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Town maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and state street aid fund of which both are considered to be a major fund.

The Town adopts an annual appropriations budget for its general and special revenue funds. A budgetary comparison statement has been provided for each of the funds to demonstrate this noncompliance with this budget. The basic governmental fund financial statements can be found on pages 12-19 of this report.

Notes to the financial statements

The notes to the financial statements provide required disclosures and other information that are essential to a full understanding of material data provided in the government-wide and fund financial statements. The notes present information about the Town's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. The notes to the financial statements can be found on pages 20-28 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town of Gadsden, assets exceeded liabilities by \$925,268 at the close of the most recent fiscal year.

A significant portion of the Town's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to pay this debt must be

provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Town of Gadsden, Tennessee - Net Position

	Governmental Activities	
	2023	2022
Current and other assets	\$ 834,249	\$ 820,186
Capital assets	175,496	155,011
Total assets	<u>1,009,745</u>	<u>975,197</u>
Other liabilities	84,477	47,831
Total liabilities	<u>84,477</u>	<u>47,831</u>
Net Position:		
Investment in capital assets	175,496	155,011
Restricted	261,859	248,830
Unrestricted	<u>487,913</u>	<u>523,525</u>
Total net position	<u>925,268</u>	<u>927,366</u>
Total Liabilities and Net Position	<u>\$ 1,009,745</u>	<u>\$ 975,197</u>

At year end \$487,913 of the Town’s net position represented resources that may be used to meet the government’s ongoing obligations to citizens, and \$261,859 represents net position restricted for specific purposes. The Town’s current assets increased by \$14,063 during the current fiscal year. The main reasons for the change was additional grant funds received and not expended (unearned revenue – grants). There were also large increases in court fines and costs (and related payroll expenditures), but the current asset increase was mostly derived by the unearned revenue increase.

Town of Gadsden, Tennessee - Changes in Net Position

	Governmental Activities	
	2023	2022
Revenues:		
Program Revenues:		
Charges for services	\$266,421	\$124,568
Operating grants and contributions	50,722	50,944
General Revenues:		
Local taxes	80,967	77,509
Intergovernmental	32,516	29,945
Interest on investments	2,970	2,451
Other	16,152	4,275
Total revenues	449,748	289,692
Expenses:		
General government	145,415	85,157
Public safety	251,906	144,652
Highways and streets	36,758	40,598
Health, welfare, and recreation	17,767	6,601
Total expenses	451,846	277,008
Changes in net position	(2,098)	12,684
Net position-beginning	927,366	914,682
Net position-ending	\$925,268	\$927,366

The Town's net position decreased by \$2,098 during the current fiscal year. The main reasons for the change were an increase in police and administration salaries and litigation tax; charges for services also increased drastically, but ultimately expenditures were slightly higher than revenues for the year.

Financial Analysis of the Government's Funds

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the Town's governmental funds is to provide information on near-term inflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Town's governmental funds reported ending fund balances of \$749,772 a decrease of \$22,583 in comparison with the prior year. Of the total amount of

governmental fund balances presented, \$481,677 constitutes unassigned fund balance, which is available for spending at the government’s discretion, \$6,236 is nonspendable for prepaids, and \$261,859 is restricted for State Street Aid fund.

The unassigned fund balance of the Town’s General Fund decreased \$35,608 during the current fiscal year. Key factors in this decrease are:

- Grant revenues received but not recognized as revenue in current year
- Increase in salaries
- New capital outlay additions

The restricted fund balance of the Town’s State Street Aid Fund increased \$13,029 during the current fiscal year. The key factor in this increase is:

- There were no incurred expenses

General Fund Budgetary Highlights

In the General Fund actual expenditures exceeded appropriations by \$132,510.

The actual revenues exceeded the final amended budget revenues by \$135,648. This is mostly due to additional court fines and costs.

The original budget remained unchanged throughout the year.

Capital Asset and Debt Administration

At the end of fiscal year 2023, the Town had \$175,496 (net of accumulated depreciation) invested in a broad range of capital assets. This investment includes land and land improvements, buildings and equipment. The total net increase in the Town’s investment in capital assets for the current period amounted to \$20,485 due to new capital outlay additions less depreciation expense.

The following table summarizes the Town’s capital assets, and changes therein, for the year ended June 30, 2023.

Town of Gadsden, Tennessee - Capital Assets
(net of depreciation)

	Governmental Activities	
	2023	2022
Land	\$ 30,000	\$ 30,000
Other capital assets	145,496	125,011
Total	\$ 175,496	\$ 155,011

Additional information on the Town’s capital assets can be found in Note 4 to the financial statements. The most notable capital asset activity for the year was purchasing playground equipment and a Police Durango, and disposing of a Police Dodge Charger.

Long-Term Debt

As of June 30, 2023, the Town had no outstanding debt.

Economic Factors and Next Year's Budget and Rates

Factors considered in preparing the Town's budget for the 2024 fiscal year include the following:

- State and local tax revenues are expected to remain constant for fiscal year 2024.

The Town has approved a General Fund operating budget of \$396,948 for the fiscal year 2024. The State Street Aid Fund budget for the fiscal year 2024 is \$14,300.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any information provided in this report or requests for any additional information should be directed to the Town of Gadsden, P.O. Box 158, Gadsden, Tennessee 38337.

BASIC FINANCIAL STATEMENTS

TOWN OF GADSDEN, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2023

	Governmental Activities
Assets	
Cash on hand and in bank	\$ 273,533
Certificates of deposit	530,919
Receivables:	
Taxes, net of allowance	17,604
Accounts	5,957
Prepaid Insurance	6,236
Capital assets not being depreciated	
Land	30,000
Other capital assets, net of accumulated depreciation	145,496
Total assets	1,009,745
 Liabilities	
Accounts payable	8,997
Payroll taxes payable	1,555
Unearned revenue - grants	73,925
Total liabilities	84,477
 Net Position	
Investment in capital assets	175,496
Restricted for state street aid	261,859
Unrestricted	487,913
Total net position	\$ 925,268

The accompanying notes are an integral part of these financial statements.

TOWN OF GADSDEN, TENNESSEE
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

Functions / Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government:	\$ 145,415	\$ -	\$ -	\$ -	\$ (145,415)
Public safety					
Police	202,506	255,181	25,514	-	78,189
Fire	49,400	-	8,000	-	(41,400)
Highways and streets	36,758	-	17,208	-	(19,550)
Health, welfare and recreation	17,767	11,240	-	-	(6,527)
Total governmental activities	\$ 451,846	\$ 266,421	\$ 50,722	\$ -	(134,702)
General revenues:					
					5,639
					80,967
					21,466
					4,482
					765
					164
					165
					5,765
					5,957
					4,265
					2,970
					132,605
					(2,098)
					927,366
					\$ 925,268

The accompanying notes are an integral part of these financial statements.

TOWN OF GADSDEN, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

	<u>General Fund</u>	<u>State Street Aid Fund</u>	<u>Total Governmental Funds</u>
Assets			
Cash on hand and in bank	\$ 202,276	\$ 71,257	\$ 273,533
Certificates of deposit	352,492	178,427	530,919
Prepaid Insurance	6,236	-	6,236
Receivables:			
State and local taxes	14,832	2,772	17,604
Asset seizure	5,957	-	5,957
Due from other funds	-	9,403	9,403
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 581,793</u>	<u>\$ 261,859</u>	<u>\$ 843,652</u>
Liabilities and Fund Balance			
Current liabilities			
Accounts payable	\$ 8,997	\$ -	\$ 8,997
Payroll taxes payable	1,555	-	1,555
Due to other funds	9,403	-	9,403
Unearned revenue - grants	73,925	-	73,925
Total current liabilities	<u>93,880</u>	<u>-</u>	<u>93,880</u>
Fund balances			
Nonspendable			
Prepaid Insurance	6,236	-	6,236
Restricted			
State Street Aid	-	261,859	261,859
Unassigned	481,677	-	481,677
Total fund balances	<u>487,913</u>	<u>261,859</u>	<u>749,772</u>
Total liabilities and fund balances	<u>\$ 581,793</u>	<u>\$ 261,859</u>	<u>\$ 843,652</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF GADSDEN, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
June 30, 2023

Fund balance of governmental funds	\$ 749,772
Amounts reported for the governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in funds.	<u>175,496</u>
Net position of governmental activities	<u><u>\$ 925,268</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF GADSDEN, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2023

	General Fund	State Street Aid Fund	Total Governmental Funds
Revenues			
Taxes	\$ 46,658	\$ -	\$ 46,658
Intergovernmental revenues	80,072	12,120	92,192
Miscellaneous revenues	309,988	909	310,897
Total revenues	<u>436,718</u>	<u>13,029</u>	<u>449,747</u>
Expenditures			
Current:			
General government	148,596	-	148,596
Police department	220,891	-	220,891
Fire department	48,318	-	48,318
Highways and streets	36,758	-	36,758
Health, welfare and recreation	17,767	-	17,767
Total expenditures	<u>472,330</u>	<u>-</u>	<u>472,330</u>
Net change in fund balance	(35,612)	13,029	(22,583)
Fund balance - beginning of the year	<u>523,525</u>	<u>248,830</u>	<u>772,355</u>
Fund balance - end of the year	<u><u>\$ 487,913</u></u>	<u><u>\$ 261,859</u></u>	<u><u>\$ 749,772</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF GADSDEN, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

For the Fiscal Year Ended June 30, 2023

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balance of governmental funds	\$ (22,583)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the current period. This is the amount by which capital outlay exceeded depreciation in the current period.

20,485

Change in net position of governmental activities	<u><u>\$ (2,098)</u></u>
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The accompanying notes are an integral part of these financial statements.

TOWN OF GADSDEN, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance Over (Under)
Revenues				
Taxes:				
Local sales tax	\$ 25,000	\$ 25,000	\$ 25,407	\$ 407
Wholesale beer tax	24,000	24,000	21,251	(2,749)
Total taxes	49,000	49,000	46,658	(2,342)
Intergovernmental Revenues				
TVA payments in lieu of taxes	5,780	5,780	5,639	(141)
State of Tennessee sales tax	53,000	53,000	55,560	2,560
State of Tennessee income tax	1,000	1,000	164	(836)
State of Tennessee beer tax	250	250	214	(36)
State of Tennessee sports betting	500	500	765	265
Policy Salary Supplement	800	800	160	(640)
State of Tennessee state street-petroleum special	5,200	5,200	5,088	(112)
Franchise fees	5,218	5,218	4,482	(736)
Fire revenue - Crockett County	8,000	8,000	8,000	-
Total intergovernmental revenues	79,748	79,748	80,072	324
Miscellaneous Revenues				
Court fines and costs	110,000	110,000	255,181	145,181
Interest earnings	3,000	3,000	2,061	(939)
Fire calls	2,300	2,300	-	(2,300)
Rents	8,800	8,800	11,240	2,440
Miscellaneous income	1,000	1,000	165	(835)
Drug Income	-	-	5,765	5,765
Asset Seizure	-	-	5,957	5,957
Grants	47,222	47,222	25,354	(21,868)
Insurance proceeds	-	-	4,265	4,265
Total miscellaneous revenues	172,322	172,322	309,988	137,666
Total revenues	301,070	301,070	436,718	135,648
Expenditures				
General Government				
Legislative:				
Salaries - elected officials	1,800	1,800	1,725	(75)
Total Legislative	1,800	1,800	1,725	(75)
Judicial:				
Judicial salary	1,200	1,200	1,500	300
Litigation tax	10,000	10,000	20,733	10,733
Total Judicial	11,200	11,200	22,233	11,033

The accompanying notes are an integral part of these financial statements.

TOWN OF GADSDEN, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
General Government				
General Administration:				
Salaries	\$ 13,200	\$ 13,200	\$ 28,583	\$ 15,383
Payroll taxes	10,120	10,120	13,237	3,117
Election	-	-	99	99
Dues & memberships	1,800	1,800	1,971	171
Advertising	1,000	1,000	172	(828)
Telephone	1,000	1,000	1,251	251
Legal services	-	-	200	200
Office supplies	6,000	6,000	8,000	2,000
Other operating supplies	100	100	206	106
Insurance	16,500	16,500	29,212	12,712
Postage	600	600	-	(600)
Donations	600	600	500	(100)
Miscellaneous	5,000	5,000	402	(4,598)
Total general administration	<u>55,920</u>	<u>55,920</u>	<u>83,833</u>	<u>27,913</u>
Financial Administration:				
Accounting and auditing	7,000	7,000	10,184	3,184
Office supplies	500	500	-	(500)
Total financial administration	<u>7,500</u>	<u>7,500</u>	<u>10,184</u>	<u>2,684</u>
City Hall:				
Utilities	4,500	4,500	5,180	680
Repairs and maintenance	2,000	2,000	17,991	15,991
Miscellaneous	1,000	1,000	3,256	2,256
Other operating supplies	500	500	1,216	716
Total city hall	<u>8,000</u>	<u>8,000</u>	<u>27,643</u>	<u>19,643</u>
Auditorium:				
Utilities	1,600	1,600	2,162	562
Repairs and maintenance	1,000	1,000	754	(246)
Supplies	200	200	-	(200)
Total auditorium	<u>2,800</u>	<u>2,800</u>	<u>2,916</u>	<u>116</u>
Drug:				
Service Charge	-	-	62	62
Total Drug	<u>-</u>	<u>-</u>	<u>62</u>	<u>62</u>
Total general government	<u>87,220</u>	<u>87,220</u>	<u>148,596</u>	<u>61,376</u>
Public Safety				
Police Department:				
Salaries	130,000	130,000	111,969	(18,031)
TIBRS	3,600	3,600	3,554	(46)
Radio service	2,000	2,000	-	(2,000)
Repair and maintenance - vehicle	1,000	1,000	49,730	48,730
Clothing and uniforms	2,000	2,000	1,984	(16)
Memberships	200	200	450	250
Other operating supplies	600	600	3,092	2,492
Office supplies	2,000	2,000	847	(1,153)
Telephone	600	600	5,632	5,032
Gas, oil and diesel	10,000	10,000	11,522	1,522
Miscellaneous	400	400	8,374	7,974
Capital outlay	15,000	15,000	22,450	7,450
Training	500	500	1,287	787
Total police department	<u>167,900</u>	<u>167,900</u>	<u>220,891</u>	<u>52,991</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF GADSDEN, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Fire Department:				
Repairs - vehicles	\$ 7,500	\$ 7,500	\$ 3,804	\$ (3,696)
Repairs - equipment	3,000	3,000	7,536	4,536
Training and travel	1,000	1,000	284	(716)
Salaries	11,000	11,000	3,087	(7,913)
Clothing and uniforms	5,000	5,000	-	(5,000)
Supplies	1,500	1,500	577	(923)
Gas, oil and diesel	4,000	4,000	3,404	(596)
Radios	-	-	6,020	6,020
Uniforms	-	-	1,638	1,638
Other operating expenses	100	100	-	(100)
Miscellaneous	600	600	4,806	4,206
ARPA	-	-	17,001	17,001
Capital outlay	3,000	3,000	161	(2,839)
Total fire department	<u>36,700</u>	<u>36,700</u>	<u>48,318</u>	<u>11,618</u>
Total public safety	<u>204,600</u>	<u>204,600</u>	<u>269,209</u>	<u>64,609</u>
Public Works:				
Highways and Streets:				
Salaries	16,000	16,000	19,746	3,746
Street lights	14,000	14,000	13,962	(38)
Repairs - equipment	12,000	12,000	-	(12,000)
Repairs - streets	-	-	3,050	3,050
Gas, oil and diesel	500	500	-	(500)
Total highways and streets	<u>42,500</u>	<u>42,500</u>	<u>36,758</u>	<u>(5,742)</u>
Total Public Works	<u>42,500</u>	<u>42,500</u>	<u>36,758</u>	<u>(5,742)</u>
Parks:				
Repairs and maintenance	-	-	1,517	1,517
Utilities	500	500	425	(75)
Capital Outlay	5,000	5,000	15,825	10,825
Total parks	<u>5,500</u>	<u>5,500</u>	<u>17,767</u>	<u>12,267</u>
Total health, welfare and recreation	<u>5,500</u>	<u>5,500</u>	<u>17,767</u>	<u>12,267</u>
Total expenditures	<u>339,820</u>	<u>339,820</u>	<u>472,330</u>	<u>132,510</u>
Net change in fund balance	(38,750)	(38,750)	(35,612)	3,138
Fund balance - July 1, 2022	<u>523,525</u>	<u>523,525</u>	<u>523,525</u>	<u>-</u>
Fund balance - June 30, 2023	<u><u>\$ 484,775</u></u>	<u><u>\$ 484,775</u></u>	<u><u>\$ 487,913</u></u>	<u><u>\$ 3,138</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF GADSDEN, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
STATE STREET AID FUND
For the Year Ended June 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Revenues				
Gasoline Tax - Street Aid	\$ 13,000	\$ 13,000	\$ -	\$ (13,000)
Gasoline and motor fuel tax	-	-	8,390	8,390
Gasoline 1989	-	-	1,310	1,310
Gasoline 3 cent	-	-	2,420	2,420
Interest	300	300	909	609
Total revenues	<u>13,300</u>	<u>13,300</u>	<u>13,029</u>	<u>(271)</u>
Expenditures				
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	13,300	13,300	13,029	(271)
Fund balance - July 1, 2022	<u>248,830</u>	<u>248,830</u>	<u>248,830</u>	<u>-</u>
Fund balance - June 30, 2023	<u>\$ 262,130</u>	<u>\$ 262,130</u>	<u>\$ 261,859</u>	<u>\$ (271)</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF GADSDEN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and procedures followed by the Town of Gadsden conform to generally accepted accounting principles applicable to governmental entities. The Town's significant accounting policies are described below.

A. Reporting Entity

The Town of Gadsden, Tennessee (the Town), operates under a Mayor-Alderman form of government and provides the following services as authorized by its charter: public safety (police, fire, inspection, and planning), street maintenance, health, culture, welfare and recreation, and general administrative services. As required by generally accepted accounting principles, these financial statements present all funds, which comprise the Town. The criteria of control or dependence are used to determine which activities are included in the Town's financial statements. Control or dependence is determined on the basis of budget adopting, taxing authority, funding, and appointment of the respective governing board. There are no other component units, entities for which the Town is considered financially accountable, which should be included.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statements of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported in these statements.

The statement of activities demonstrates the degree to which the direct expenses of the given function, or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both available and measurable. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

TOWN OF GADSDEN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

For this purpose, the Town has determined a period of availability of sixty days. Expenditures are recorded when the liability is incurred, regardless of when cash payment is made. Sales taxes, grants, and intergovernmental revenues are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The Town reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The State Street Aid Fund accounts for gasoline taxes that are used to fund the repairs and maintenance to the streets.

The Town does not have any proprietary funds in which to report activity.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's various functions. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Fund Balance

Deposits and Investments

The Town's cash and cash equivalents are considered to be only unrestricted demand deposit accounts, working funds and highly liquid investments with an original maturity of three months or less.

State statutes authorize the Town to invest in certificates of deposit, obligations of the U. S. Treasury, agencies and instrumentalities, obligations guaranteed by the U.S. Government or its agencies, repurchase agreements and the state's investment pool.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable

TOWN OF GADSDEN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, including property, plant, vehicles, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) and construction in progress are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of two years or greater. All land and land improvements will be included. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the Town are depreciated using the straight-line method over the following useful lives:

Buildings	15-40 years
Improvements other than buildings	5-15 years
Machinery and equipment	5-20 years
Furniture and fixtures	7-15 years
Infrastructure	25-50 years

Compensated Absences

The Town does not have a policy for paid vacation or sick leave and therefore no adjustments are deemed necessary to the Town's financial statements relating to compensated absences. Additionally, there is no current liability for compensated absences.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Town currently has no items that qualify for reporting in this category.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Town currently has no items that qualify for reporting in this category.

TOWN OF GADSDEN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Net Position Flow Assumption

Sometimes the Town will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Town’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund Balance

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the Town is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balance for governmental funds can consist of the following:

Nonspendable fund balance

This classification includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.

Restricted fund balance

This classification includes amounts that are restricted for specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted with the consent of resource providers.

Committed fund balance

This classification includes amounts that can only be used for the specific purposes determined by a formal action of the Town’s highest level of decision-making authority, the Board of Aldermen of the Town. Commitments may be changed or lifted only by the Town taking the same formal action that imposed the constraint originally (for example: ordinance).

Assigned fund balance

This classification includes amounts intended to be used by the Town for specific purposes that are neither restricted nor committed. The Board and its designees (of which there are none) have the authority to assign amounts to be used for specific purposes. Assigned amounts also include all residual amounts in governmental funds (except for negative amounts) that are not classified as nonspendable, restricted, or committed.

Unassigned fund balance

This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

In circumstances where an expenditure is made for a purpose for which amounts are available in multiple fund balance classifications, fund balance is depleted in the order of restricted, committed, assigned, and unassigned.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect

TOWN OF GADSDEN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Impact of New Accounting Standard

The GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, in May 2020. This Statement improves accounting and financial reporting by state and local governments for SBITAs and is effective for fiscal years beginning after June 15, 2022. This statement increases the usefulness of governments' financial statements by requiring recognition of certain SBITA assets and liabilities for SBITA that previously were recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for SBITA accounting based on the foundational principle that SBITA are financings of the right to use an underlying subscription-based asset. This implementation resulted in no impact on the current year or prior year financial statements.

NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Assets

The governmental fund balance sheet includes reconciliation between fund balance – total governmental funds and net assets – and governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.” The details of the \$175,496 difference are as follows:

Governmental funds capital assets	\$ 667,940
Less: accumulated depreciation	<u>(492,444)</u>
Net adjustment to increase fund balance	
- total governmental funds to arrive at net assets - governmental activities	<u>\$ 175,496</u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance and the Government-wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balance – total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the current period. This is the amount by which depreciation exceeded capital outlay in the current period.” The details of this \$20,485 difference are as follows:

TOWN OF GADSDEN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

Capital outlay	\$ 45,775
Depreciation expense	<u>(25,290)</u>
Net adjustment to decrease net changes in fund balance - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 20,485</u>

NOTE 3 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. These include the general fund and the special revenue funds. The Board of Aldermen approves and appropriates the budgets for these funds annually. All annual appropriations lapse at fiscal year-end.

The Town’s policy is to not allow expenditures to exceed budgetary amounts at the total fund expenditure level without obtaining additional appropriation approval from the Town Council. This policy aligns with State legal requirements regarding appropriations.

For the year ended June 30, 2023, expenditures exceed appropriations in the General Fund by \$132,510.

NOTE 4 – DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

Custodial Credit Risk – The Town’s policies limit deposits and investments to those instruments allowed by applicable state laws as described in Note 1. State statute required that all deposits with financial institutions must be collateralized by securities whose market value is equal to 105% of the value of uninsured deposits. The deposits must be collateralized by federal depository insurance of the Tennessee Bank Collateral Pool, by collateral held by the Town’s agent in the Town’s name, or by the Federal Reserve Banks acting as third-party agents. State statutes also authorize the Town to invest in bonds, notes or treasury bills of the United States or any of its agencies, certificates of deposit at Tennessee state chartered banks and savings and loan associations and federally chartered banks and savings and loan associations, repurchase agreements utilizing obligations of the United States or its agencies as the underlying securities, and the state pooled investment fund. Statutes also require that securities underlying repurchase agreements must have a market value of at least equal to the amount of funds invested in the repurchase transaction. As of June 30, 2023, all bank deposits were fully collateralized or insured.

Cash and cash equivalents and investments (Certificates of Deposit) as reflected in the accompanying financial statements are allocated as follows under the *Governmental Accounting Standards Board Statement No. 3*.

TOWN OF GADSDEN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

	Cash on Hand	Deposits	Total
Cash and cash equivalents			
General Fund	\$ -	\$ 554,768	\$ 554,768
State Street Aid Fund	-	249,684	249,684
	<u>\$ -</u>	<u>\$ 804,452</u>	<u>\$ 804,452</u>

B. Receivables

Receivables as of the year end for the government's individual major funds are as follows:

	General	State Street Aid Fund	Total
Receivables:			
State and local taxes	\$ 14,832	\$ 2,772	\$ 17,604
Asset Seizure	5,957	-	5,957
Total receivables	<u>\$ 20,789</u>	<u>\$ 2,772</u>	<u>\$ 23,561</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

C. Interfund Receivables and Payables

As of June 30, 2023, an interfund receivable and payable in the amount of \$9,403 was recorded between the general fund and the state street aid fund. This is a combination of \$10,053 Due To State Street Aid Fund and \$650 Due To General Fund. These amounts are due to a prior year adjustment. The Town expects that the entire balance noted will be repaid within the next fiscal year.

D. Capital Assets

Capital asset activity for the year ended June 30, 2023, was as follows:

TOWN OF GADSDEN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated				
Land	\$ 30,000	\$ -	\$ -	\$ 30,000
Capital assets, being depreciated				
Buildings and improvements	229,860	-	-	229,860
Machinery and equipment	99,111	15,825	-	114,936
Vehicles	278,944	29,950	15,750	293,144
Total capital assets, being depreciated	607,915	45,775	15,750	637,940
Less accumulated depreciation for:				
Buildings and improvements	195,567	6,333	-	201,900
Machinery and equipment	44,132	7,816	-	51,948
Vehicles	243,205	11,141	15,750	238,596
Total accumulated depreciation	482,904	25,290	15,750	492,444
Total capital assets being depreciated, net	125,011	20,485	-	145,496
Governmental activities capital assets, net	\$ 155,011	\$ 20,485	\$ -	\$ 175,496

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 12,643
Police Department	11,565
Fire Department	1,082
Total depreciation expense - governmental activities	\$ 25,290

NOTE 5 – OTHER INFORMATION

A. Risk Management

The Town joined the Tennessee Municipal League (TML), which is a public entity risk pool established to provide insurance coverage to local governments in Tennessee. The Town pays an annual premium to TML for general liability, errors or omissions liability, automobile liability and auto physical damage, worker's compensation, and property insurance. The TML can assess additional amounts to members when necessary; however, the Town has not been assessed as of the current date. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years and there has been no significant reduction in coverage.

TOWN OF GADSDEN, TENNESSEE
NOTES TO FINANCIAL STATEMENTS
June 30, 2023

B. Subsequent Events

Management has evaluated subsequent events through February 22, 2024, the date in which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

TOWN OF GADSDEN, TENNESSEE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE
For the Year Ended June 30, 2023

Program Title	Grant/Contract Number	Assistance Listing Number	Federal Grantor Agency/ Pass-Through Entity	Expenditures
Coronavirus State and Local Fiscal Recovery Funds American Rescue Plan Act (ARPA)	unknown	21.027	Department of Treasury	<u>\$ 17,000</u>
TOTAL FEDERAL AWARDS				<u>\$ 17,000</u>
High Visibility Enforcement	PT-22-040/402		Department of Safety & Homeland Security	<u>\$ 8,354</u>
TOTAL STATE FINANCIAL ASSISTANCE				<u>\$ 8,354</u>
Total				<u>\$ 25,354</u>

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

Note 1: Basis of Presentation:

The accompanying schedule of expenditures of federal and state awards (the "Schedule") includes the federal and state award activity of the Town of Gadsden under programs of the federal and state government for the year ended June 30, 2023. Because the Schedule presents only a selected portion of the operations of the Town of Gadsden, it is not intended and does not present the net position or fund balance, changes in net position or fund balance, or cash flows, where applicable, of the Town of Gadsden.

Note 2: Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Negative amounts shown on the Schedule represents adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The Town of Gadsden has not elected to use the 10-percent de minimus indirect cost rate.

See independent auditor's report.

INTERNAL CONTROL AND COMPLIANCE



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Honorable Mayor and Board of Aldermen
Town of Gadsden
Gadsden, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of the Town of Gadsden, Tennessee (the Town), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated February 22, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town of Gadsden's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider material weaknesses. We identified one certain deficiency in internal control, described in the accompanying schedule of findings and responses as item 2023-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Gadsden's financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed three instances of noncompliance, described in the accompanying schedule of findings and responses as items 2023-002, 2023-003, and 2023-004 that we consider to be noncompliance.

Town of Gadsden's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures in the Town of Gadsden's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Town of Gadsden's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ATA CPAs + Advisors PLLC

Dyersburg, Tennessee
February 22, 2024

TOWN OF GADSDEN, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2023

Financial Statement Findings

2023-001 Segregation of Duties—Significant Deficiency

Condition: We have noted that the Town has inadequate segregation of duties with respect to the record keeping functions.

Criteria: Adequate segregation of duties is important to facilitate controls and maintain adequate safeguards over Town assets.

Cause: The Town does not have enough employees to properly segregate duties.

Effect: Without the proper segregation and accountability, the Town could incur errors or losses that would go undetected.

Recommendation: While it is understandable that is not always feasible to segregate duties due to limited accounting staff, we encourage the Town to make efforts to further segregate the duties of the accounting functions.

Response: The Town of Gadsden is considering hiring additional personnel in order to segregate the duties of the accounting functions. The Town will use compensating controls to the extent available and necessary to offset any weaknesses derived from a lack of segregation of duties.

2023-002 Drug Fund Not a Special Revenue Fund—Noncompliance

Condition: We have noted that the Town has a Drug Fund bank account to recognize Drug Fund activity in pursuance with TN Code § 39-17-420; however, a Drug Fund Special Revenue Fund has not been established.

Criteria: Drug forfeitures are required to be accounted for in a special revenue fund of the jurisdiction that initiated the arrest to be in compliance with the TN Comptroller of the Treasury.

Cause: The Town has not established a separate fund for the Drug Fund with the TN Comptroller of the Treasury.

Effect: The Town is not in compliance with state law in regards to Special Revenue Funds.

Recommendation: We recommend setting up a Drug Fund as a Special Revenue Fund.

Response: The Town of Gadsden will inquire with the Comptroller's Office regarding setting up the required Special Revenue Fund.

TOWN OF GADSDEN, TENNESSEE
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended June 30, 2023

2023-003 Amount Due From General/Due To SSA Not Cleared in One Year—Noncompliance

Condition: We have noted that the Town has an amount in Due From General that was present at 06/30/21. This amount was not paid back within one year.

Criteria: Any advances that are not repaid within one year are required to be approved by the State.

Cause: The Town has not repaid the amount Due From General.

Effect: The Town is not in compliance with state law in regards to repayments of advances.

Recommendation: We recommend repaying the amount Due From General as soon as possible.

Response: The Town of Gadsden will repay the amount Due From General by June 30, 2024.

2023-004 Expenditures Exceeded Budgeted Expenditures—Noncompliance

Condition: We have noted that the Town's expenditures exceeded budgeted expenditures, and no amended budget was adopted.

Criteria: All expenditures are required to be accounted for in the approved annual budget in accordance with TN Comptroller of the Treasury.

Cause: The Town has over expended the annual budget.

Effect: The Town is not in compliance with state law in regards to budgets.

Recommendation: We recommend monitoring and approving budget amendments as necessary throughout the year.

Response: The Town of Gadsden will more closely monitor and approve budget amendments as necessary throughout the year.

TOWN OF GADSDEN, TENNESSEE
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
For the Year Ended June 30, 2023

Financial Statement Findings

Prior Year Finding Number	Finding Title	Status/Current Year Finding Number
2022-001	Segregation of Duties (Material Weakness) (Original Finding #2020-001)	Repeated as Significant Deficiency/2023-001
2022-002	Drug Fund Not A Special Revenue Fund (Noncompliance) (Original Finding #2022-002)	Repeated as Noncompliance/2023-002
2022-003	Amount Due From General/Due to SSA Not Cleared in One Year (Noncompliance) (Original Finding #2022-003)	Repeated as Noncompliance/2023-003

TOWN OF GADSDEN
229 HIGH ST
PO BOX 158
GADSDEN, TN 38337-0158

Management's Corrective Action Plan

The Town of Gadsden respectfully submits the following corrective action plan for the year ended June 30, 2023.

Name and address of independent public accounting firm:

ATA CPAs + Advisors PLLC
185 North Church Street
Dyersburg, TN 38024

Responsible officials for corrective action:

Randy Smith, Mayor
Town of Gadsden

Signature: Randy Smith - Mayor

Audit period: June 30, 2023

The findings from the June 30, 2023, schedule of findings and responses are discussed below. The findings are numbered consistently with the numbers assigned in the schedule.

2023-001 Segregation of Duties – Significant Deficiency

Corrective Action Taken or Planned: The Town of Gadsden is considering hiring additional personnel in order to segregate the duties of the accounting functions. The Town will use compensating controls to the extent available and necessary to offset any weaknesses derived from a lack of segregation of duties.

Anticipated Completion Date: None

2023-002 Drug Fund Not a Special Revenue Fund – Noncompliance

Corrective Action Taken or Planned: The Town of Gadsden will inquire with the Comptroller's Office regarding setting up the required Special Revenue Fund.

Anticipated Completion Date: June 30, 2024

2023-003 Amount Due From General/Due To SSA Not Cleared in One Year – Noncompliance

Corrective Action Taken or Planned: The Town of Gadsden will repay the amount Due From General by June 30, 2024.

Anticipated Completion Date: June 30, 2024

2023-004 Expenditures Exceeded Budgeted Expenditures – Noncompliance

Corrective Action Taken or Planned: The Town of Gadsden will more closely monitor and approve budget amendments as necessary throughout the year.

Anticipated Completion Date: June 30, 2024